

# Q1 2020



# City of Martinez Sales Tax *Update*

Second Quarter Receipts for First Quarter Sales (January - March 2020)

## Martinez In Brief

Martinez's receipts from January through March were 33.8% below the first sales period in 2019. Excluding reporting aberrations, actual sales were down 5.1%.

Cash allocations were pulled down by a number of factors including retroactive adjustments that inflated year ago returns and a deduction to correct a prior error.

On an actual basis, consequences were noteworthy as a result of 'shelter in place' declarations in mid-March. Restaurants were particularly impacted reporting large tax reductions. Sales activity in business and industry was also down.

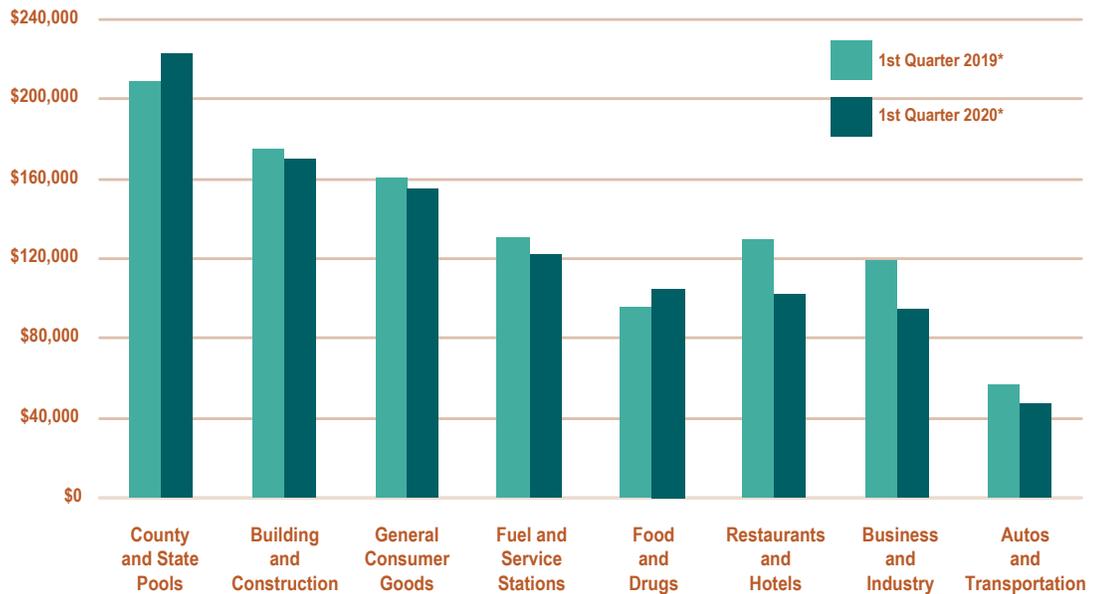
In contrast, food and drugs benefited from remaining operational all quarter.

The City's share of the countywide pool grew 7.1%. Allocations climbed upward as recent legislation allowed tax collection from third-party sellers on internet-based market platforms.

Receipts from the City's two transactions districts were elevated by the recently voter-approved Measure X.

Net of aberrations, taxable sales for all of Contra Costa County declined 1.0% over the comparable time period; the Bay Area was down 2.9%.

## SALES TAX BY MAJOR BUSINESS GROUP



\*Allocation aberrations have been adjusted to reflect sales activity

### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

7 Eleven	Industrial Lumber
ABC Supply Co	Les Schwab Tire Center
Ace Truckbox Center	Lucky Supermarket
Alhambra Chevron	Main Jail Commissary
Build Tek	Muir Shell
Canyon Sports	Nob Hill Foods
Colonial Energy	Number One Concrete Ready Mix
Copart	Quik Stop
Cresco Equipment Rentals	Rite Aid
CVS Pharmacy	Safeway
Eco Services Operations	Siemens Medical Solutions
Golden Gate Petroleum	Walmart
Home Depot	

### REVENUE COMPARISON

Three Quarters – Fiscal Year To Date (Q3 to Q1)

	2018-19	2019-20
Point-of-Sale	\$3,416,757	\$2,901,723
County Pool	646,959	745,358
State Pool	1,859	1,695
Gross Receipts†	\$4,065,575	\$3,648,776
Cty/Cnty Share	(101,639)	(91,219)
Net Receipts	\$3,963,936	\$3,557,557
Measure D	\$2,976,985	\$3,057,357
Measure X	\$4,369	\$3,001,081

†Includes tax sharing amounts due to others

**Statewide Results**

With stay at home/non-essential business restrictions in place during the last two weeks of the quarter, local one cent tax revenues for the state overall, were 18.8% lower than January to March of 2019. Taxpayer relief programs accounted for much of the decline with receipts down roughly 3.1% after factoring for payment deferrals and other accounting anomalies.

Severe drops in auto sales, general consumer goods, service stations and restaurants were largely offset by new revenue from implementation of the Wayfair v. South Dakota decision that now requires out-of-state retailers to collect and remit Californian's sales and use tax. Other offsets included a surge in online shopping that boosted receipts from the county use tax allocation pools and from online retailers who maintain and ship their inventory from within California.

The food/drug sector also showed strong gains as did many home supply, dollar and discount stores that remained open during the shutdown.

**New Challenges & Opportunities**

Current indicators suggest that overall tax receipts for the April thru June sales period will bottom out at 27% below the second quarter of 2019. The speed of the rebound in sales activity will be dependent on the availability of adequate testing, treatment therapies and ultimately a vaccine. Until then, physical distancing, COVID-19 protocols and supply chain disruptions will create limitations on some operating capacities and the return to work of all employees. Health fears, discounts and liquidation sales may also keep sales tax revenues below pre-pandemic levels until solutions are in place.

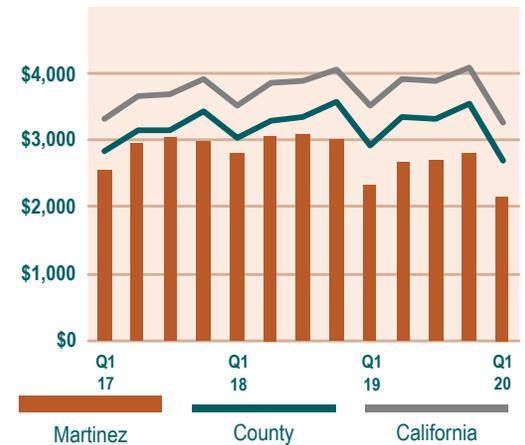
Regardless of when full recovery does occur, reports are that some elements of the economy will be permanently altered. Generation of future tax revenues may require rethinking of local economic strategies.

Over expansion, excessive debt and consumer shifts to online shopping were already resulting in bankruptcies with estimates of up to 25,000 brick-and-mortar store closings by the end of 2020. "Touch and feel" shopping is not going away but retailers see an evolution where in-store shopping is more leisure/recreational oriented with smaller stores offering more show-rooming and delivery/pick-up services. The smaller footprints and lifestyle emphasis offer opportunities to reinstate downtowns and neighborhood centers as economic/social gathering places.

The Pandemic's capture of new online customers and the growing trend of manufacturers and entrepreneurs with new concepts to bypass physical stores and sell directly to the consumer also expands options for agencies without large market populations to generate sales tax through industrial development.

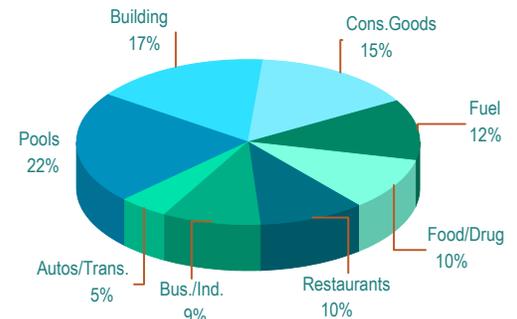
Finally, the Pandemic's disruption of supply chains has also accelerated growing dissatisfaction with overseas arrangements and some reshoring will occur which offers opportunities to leverage a city's existing business base to attract compatible support industries.

**SALES PER CAPITA\***



\*Allocation aberrations have been adjusted to reflect sales activity

**REVENUE BY BUSINESS GROUP**  
Martinez This Quarter\*



\*Allocation aberrations have been adjusted to reflect sales activity

**MARTINEZ TOP 15 BUSINESS TYPES\*\***

Business Type	Martinez		County	HdL State
	Q1 '20	Change	Change	Change
Automotive Supply Stores	16,920	9.4%	-9.1%	-9.5%
Building Materials	149,198	-0.1%	5.6%	3.0%
Casual Dining	40,533	-24.3%	-21.7%	-18.8%
Contractors	20,091	-18.3%	-14.4%	3.2%
Convenience Stores/Liquor	18,713	-7.4%	-1.3%	-4.4%
Discount Dept Stores	— CONFIDENTIAL —	—	2.9%	3.2%
Drug Stores	— CONFIDENTIAL —	—	0.1%	3.4%
Drugs/Chemicals	— CONFIDENTIAL —	—	33.6%	0.0%
Grocery Stores	— CONFIDENTIAL —	—	13.8%	11.8%
Light Industrial/Printers	17,375	-15.6%	-12.0%	-5.0%
Petroleum Prod/Equipment	— CONFIDENTIAL —	—	-5.6%	-9.6%
Quick-Service Restaurants	45,911	-23.2%	-15.2%	-8.5%
Repair Shop/Equip. Rentals	— CONFIDENTIAL —	—	2.3%	-0.3%
Service Stations	95,233	-3.4%	-16.7%	-9.5%
Used Automotive Dealers	— CONFIDENTIAL —	—	-2.3%	-12.7%
<b>Total All Accounts</b>	<b>796,269</b>	<b>-8.1%</b>	<b>-8.1%</b>	<b>-7.3%</b>
<b>County &amp; State Pool Allocation</b>	<b>223,470</b>	<b>7.1%</b>	<b>36.1%</b>	<b>22.4%</b>
<b>Gross Receipts</b>	<b>1,019,738</b>	<b>-5.1%</b>	<b>-1.0%</b>	<b>-3.0%</b>

\*\* Accounting aberrations such as late payments, fund transfers, and audit adjustments have been adjusted to reflect the quarter in which the sales occurred.